## CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

**GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.**

**Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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*This report, for which the directors (the "Directors") of Elegance Commercial and Financial Printing Group Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

# CONTENTS

# CORPORATE INFORMATION

## EXECUTIVE DIRECTORS

Mr. So Wing Keung
*(Chairman and Chief Executive Officer)*
Mr. Leung Shu Kin
Ms. Lam Yat Ting *(note 1)*

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Kwong Chi Wing
Mr. Chan Ka Yeung *(note 2)*
Mr. Tam Ka Hei Raymond *(note 2)*
Ms. Ngan Sze Sze Stephanie *(note 1)*
Mr. Tong Ho Kai Eric *(note 3)*

## COMPLIANCE OFFICER

Mr. Leung Shu Kin

## AUTHORISED REPRESENTATIVES

Mr. So Wing Keung
Mr. Chu Pui Ki Dickson *(note 2)*
Ms. Lam Yat Ting *(note 1)*

## AUDIT COMMITTEE

Mr. Kwong Chi Wing *(Chairman)*
Mr. Chan Ka Yeung *(note 2)*
Mr. Tam Ka Hei Raymond *(note 2)*
Ms. Ngan Sze Sze Stephanie *(note 1)*
Mr. Tong Ho Kai Eric *(note 3)*

## REMUNERATION COMMITTEE

Mr. Chan Ka Yeung *(Chairman)* *(note 2)*
Ms. Ngan Sze Sze Stephanie
*(Chairman)* *(note 1)*
Mr. Leung Shu Kin
Mr. Tam Ka Hei Raymond *(note 2)*
Mr. Tong Ho Kai Eric *(note 3)*

## NOMINATION COMMITTEE

Mr. Tam Ka Hei Raymond
*(Chairman)* *(note 2)*
Mr. Tong Ho Kai Eric *(Chairman)* *(note 3)*
Mr. Leung Shu Kin
Mr. Kwong Chi Wing
Mr. Chan Ka Yeung *(note 2)*
Ms. Ngan Sze Sze Stephanie *(note 1)*

## COMPANY SECRETARY

Mr. Chu Pui Ki Dickson (CPA) *(note 2)*
Ms. Lam Yat Ting (CPA) *(note 1)*

## PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Dah Sing Bank, Limited

## REGISTERED OFFICE

PO Box 1350
Clifton House
75 Fort Street
Grand Cayman
KY1-1108
Cayman Islands

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Rm 2402, China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

Estera Trust (Cayman) Limited
PO Box 1350
Clifton House
75 Fort Street
Grand Cayman
KY1-1108
Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

## HONG KONG LEGAL ADVISER

Raymond Siu & Lawyers

## COMPLIANCE ADVISER

Dakin Capital Limited
Suites 4505-06, 45/F.,
Tower 1, Lippo Centre,
89 Queensway, Hong Kong

## AUDITOR

Mazars CPA Limited
*Certified Public Accountants*
42/F, Central Plaza
18 Harbour Road
Wanchai, Hong Kong

## STOCK CODE

8391

## WEBSITE

http://www.elegance.hk

*Note 1*: Resigned with effect from 1 July 2019

*Note 2*: Appointed on 1 July 2019

*Note 3*: Resigned with effect from 30 June 2019

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

Elegance Commercial and Financial Printing Group Limited (the "Company", together with its subsidiaries collectively referred to as the "Group") is an established printing service provider principally engaged in the provision of commercial printing and financial printing services in Hong Kong. We have our own production base in Hong Kong to provide one-stop solutions to our customers from designing, typesetting, translation, printing, binding, lettershopping to direct mailing, etc..

The successful listing (the "Listing") of the Company's shares on GEM on 11 May 2018 was an important milestone for the Group, enhancing our capital strength and reinforcing the Group's resources for future development.

Our printing business is supported by our in-house printing production factory located at No. 8, A Kung Ngam Village Road, Shaukeiwan, Hong Kong, with a usable area of approximately 52,860.7 square feet, as well as our in-house translation team in Hong Kong, which enables us to maintain timely and responsive printing and translation services to our commercial and financial printing customers.

Our revenue from commercial printing services decreased by approximately 10.6%, from approximately HK$24.1 million for the six months ended 30 September 2018 to approximately HK$21.5 million for the six months ended 30 September 2019. Our revenue from financial printing services decreased by approximately 23.3%, from approximately HK$18.0 million for the six months ended 30 September 2018 to approximately HK$13.8 million for the six months ended 30 September 2019.

The decrease in revenue from commercial printing services was mainly due to the decrease in sales orders.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FUTURE PROSPECTS

Following the Listing and looking forward, we aim to continue to expand our market share and strengthen our market position, by pursuing the following business strategies: (i) to continue organic growth by consolidating existing customer relationship and developing new relationship; (ii) to acquire a permanent office premise for our business expansion of financial printing services; (iii) to upgrade hardware and software for our financial printing services; and (iv) to continue to attract and retain a team of top talents in the industry.

## FINANCIAL REVIEW

### Revenue

We generate revenue from the provision of printing services in Hong Kong which are classified into (i) commercial printing services; (ii) financial printing services; and (iii) other services. Commercial printing services refer to printing services for our customers' needs of commercial paper printing products. Financial printing services range from designing the cover, layout and artwork of the document, typesetting, translation, uploading, printing, and/or distribution services for listing applicants in respect of listing on the Stock Exchange and listed companies on the Stock Exchange pursuant to the requirements of the Rules Governing the Listing of Securities on the Stock Exchange or the GEM Listing Rules. Other services primarily comprise standalone ad hoc design and/or translation work ordered by corporate customers (which is not related to listing matters) on a case-by-case basis. The following table sets forth a breakdown of our revenue by service category for the periods indicated.

# MANAGEMENT DISCUSSION AND ANALYSIS

| | For the six months ended 30 September | |
|---|---|---|
| | **2019** | 2018 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) |
| Commercial printing services | **21,914** | 24,064 |
| Financial printing services | **13,808** | 17,950 |
| Other services | **844** | 357 |
| | **36,566** | 42,371 |

Our revenue decreased by approximately 13.7% from approximately HK$42.4 million for the six months ended 30 September 2018 to approximately HK$36.6 million for the six months ended 30 September 2019. As illustrated above, the reduction of revenue for the six months ended 30 September 2019 as compared to corresponding period last year was mainly due to the decrease in commercial printing services of approximately HK$2.2 million and financial printing services of approximately HK$4.1 million, resulting from the decrease in sales orders.

***Commercial printing***

For commercial printing services, the revenue decreased by approximately 8.9%, from approximately HK$24.1 million for the six months ended 30 September 2018 to approximately HK$21.9 million for the six months ended 30 September 2019. The decrease in revenue from commercial printing services was mainly due to the decrease in sales orders from existing customers.

# MANAGEMENT DISCUSSION AND ANALYSIS

***Financial printing***

For financial printing services, the revenue from financial printing services decreased by approximately 23.1%, from approximately HK$18.0 million for the six months ended 30 September 2018 to approximately HK$13.8 million for the six months ended 30 September 2019.

The decrease in revenue from financial printing services was mainly due to the decrease in printing services jobs relating to non-recurring projects such as preparation of prospectus for initial public offerings.

***Other services***

Revenue from other services increased by 136.4%, from approximately HK$0.4 million for the six months ended 30 September 2018 to approximately HK$0.8 million for the six months ended 30 September 2019, resulting from the increase of income from translation services.

**Cost of services**

Our cost of services mainly comprises direct labour cost, cost of raw materials, production overheads, depreciation and electricity and water.

Our cost of services increased by approximately 2.7%, from approximately HK$27.5 million for the six months ended 30 September 2018 to approximately HK$28.3 million for the six months ended 30 September 2019. Such increase was mainly attributable to the increase in labour cost and subcontracting charges.

# MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 September 2019, the increase in labour cost was mainly due to the increase in salary of labour and the increase in employment of temporary staff whose salary is charged at a higher level. The increase in subcontracting charges was mainly due to increase in subcontracting of translation services.

**Gross profit and gross profit margin**

The following table sets forth a breakdown of gross profit and gross profit margin for the period indicated:

| | For the six months ended 30 September | |
|---|---|---|
| | **2019** | 2018 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) |
| Revenue | **36,566** | 42,371 |
| Cost of services | **(28,267)** | (27,521) |
| **Gross profit** | **8,299** | 14,850 |
| **Gross profit margin** | **22.7%** | 35.0% |

# MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 September 2018 and 2019, our gross profit decreased by approximately 44.1%, from approximately HK$14.9 million for the six months ended 30 September 2018 to approximately HK$8.3 million for the six months ended 30 September 2019, primarily because most of the expenses were fixed costs while there was a decrease in revenue. Our gross profit margin decrease from approximately 35.0% for the six months ended 30 September 2018 to approximately 22.7% for the six months ended 30 September 2019, mainly attributable to the decrease in non-recurring projects which have higher profit margin.

### Other income

Other income decreased by approximately 3.4%, from approximately HK$557,000 for the six months ended 30 September 2018 to approximately HK$538,000 for the six months ended 30 September 2019, mainly resulting from the decrease in sundry income.

### Selling expenses

Our selling expenses refer to expenses incurred on a regular basis for the selling activities of our Group.

Selling expenses increased by approximately 123.2%, from approximately HK$1.0 million for the six months ended 30 September 2018 to approximately HK$2.3 million for the six months ended 30 September 2019, which was attributable to the increase in sales commission and salary as a result of the hiring of new staff in the sales team during the six months ended 30 September 2019.

**Administrative and other operating expenses**

Our administrative and operating expenses primarily comprise staff costs and benefits for our administrative staff, depreciation, office expenses, directors' remuneration, repair and maintenance of our office premises, IT maintenance for our office premises and others.

Administrative expenses and other operating expenses increased by approximately 5.3%, from approximately HK$10.2 million for the six months ended 30 September 2018 to approximately HK$10.8 million for the six months ended 30 September 2019, mainly because of the increase in additional administrative and other operation expenses after the Listing.

**Finance costs**

Our finance costs mainly represent interests on bank borrowings and finance charges on obligations under finance leases. Our finance costs increased by approximately 160.5% from approximately HK$114,000 for the six months ended 30 September 2018 to approximately HK$297,000 for the six months ended 30 September 2019, primarily due to the additional finance costs arising from the new adoption of HKFRS16 "Leases".

**Listing expenses**

Our listing expenses amounted to approximately HK$5.9 million for the six months ended 30 September 2018. No listing expenses was incurred during the six months ended 30 September 2019.

### Income tax expenses

Our Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly, is exempted from Cayman Islands income tax.

No provision has been made for income tax in the British Virgin Islands (the "BVI") as our Group had no income subject to tax in the BVI for the six months ended 30 September 2018 and 2019.

Hong Kong profits tax has been provided at the rate of 16.5% on our Group's estimated assessable profits arising from Hong Kong for the six months ended 30 September 2018 and 2019.

For the six months ended 30 September 2018 and 2019, we recorded an income tax expense of approximately HK$0.8 million and tax credit of approximately HK$0.4 million respectively, the increment of which was mainly due to the decrease in assessable profits as a result of decrease in profit generated.

### Loss and total comprehensive loss for the period attributable to owners of the Company

We recorded a loss and total comprehensive loss of approximately HK$4.2 million for the six months ended 30 September 2019 (30 September 2018: approximately HK$2.7 million). The loss-making position for the six months ended 30 September 2019 was mainly attributable to (1) the decrease in sales orders from existing customers and non-recurring projects, primarily driven by the increasing concern on environmental protection, the popularity of digitalization of information, the emergence of online marketing, social media and globalization; (2) the increase in additional administrative and other operating expenses including directors' emoluments, professional fees and audit fees; and (3) the increase in selling expenses due to the hiring of new staff for the sales team during the six months ended 30 September 2019.

If the listing expenses of approximately HK$5.9 million incurred during the six months ended 30 September 2018 were excluded, we would have recorded profit and total comprehensive income of approximately HK$3.2 million for the six months ended 30 September 2018.

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 September 2019, total borrowings of the Group amounted to approximately HK$3.5 million (31 March 2019: approximately HK$5.2 million) which represented all borrowings, including bank borrowings and finance lease obligations. Details on the average interest rate and maturity profile of the Group's total borrowings, including bank borrowings and finance lease obligations, are set out in the notes 15 and 16 to the consolidated financial statements.

As at 30 September 2019, the debt to equity ratio of the Group was Nil (31 March 2019: Nil), because our cash and cash equivalents were larger than our total debts as at 30 September 2019 and 31 March 2019. Debt to equity ratio is calculated by the net debt (all borrowings, including bank borrowings and finance lease obligations, net of cash and cash equivalents) divided by the total equity. Current ratio as at 30 September 2019 was approximately 3.3 time (31 March 2019: approximately 4.7 time).

As at 30 September 2019, the gearing ratio of the Group was 4.0% (31 March 2019: 5.6%). Gearing ratio is calculated based on all borrowings (including bank borrowings and finance lease obligations) divided by total equity.

# MANAGEMENT DISCUSSION AND ANALYSIS

The Group maintained sufficient working capital as at 30 September 2019 with cash and bank balances of approximately HK$59.8 million (31 March 2019: approximately HK$62.1 million). The Board will continue to follow a prudent treasury policy in managing its cash balances and maintain a strong and healthy liquidity to ensure that the Group is well positioned to capture any appropriate business opportunities.

As at 30 September 2019, the Group's net current assets amounted to approximately HK$58.5 million (31 March 2019: net current assets of approximately HK$69.5 million). The Group's operations are principally financed by revenue generated from its business operation, available cash and bank balances as well as bank borrowings.

## CONTINGENT LIABILITIES

As at 30 September 2019, the Group did not have any significant contingent liabilities (31 March 2019: Nil).

## CAPITAL COMMITMENTS

As at 30 September 2019, the Group did not have significant capital commitments contracted but not provided for (31 March 2019: Nil).

## PLEDGE OF ASSETS

As at 30 September 2019, none of the Group's financial assets was pledged. The bank borrowings are drawn under banking facilities. The banking facilities are secured and guaranteed by corporate guarantees given by the Company.

# MANAGEMENT DISCUSSION AND ANALYSIS

## EXCHANGE RATE EXPOSURE

The Group mainly operates in Hong Kong. The Group had minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities were principally denominated in the functional currency of the operating subsidiaries of the Group, i.e. HK$.

As at 30 September 2019, the Group did not have a foreign currency hedging policy in respect of its foreign currency assets and liabilities. The Group will closely monitor its foreign currency exposure from time to time and will consider using hedging instruments in respect of significant foreign currency exposure as and when appropriate (31 March 2019: Nil).

## SIGNIFICANT INVESTMENTS HELD

During the six months ended 30 September 2019, the Group did not have any significant investments (31 March 2019: Nil).

## FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at the date of this report, the Group did not have any other plans for material investments and capital assets except for those disclosed in the section headed "Future Plan and Use of Proceeds" in the prospectus of the Company dated 30 April 2018 (the "Prospectus").

# MANAGEMENT DISCUSSION AND ANALYSIS

## PRINCIPAL RISKS AND UNCERTAINTIES

Our Group faces several risk and uncertainty factors that may affect the operating results and business prospects. There may be other risks and uncertainties in addition to those listed below, which are not known to the Group or which may not be material now but could turn out to be material in the future.

— The state of economic, political and legal environment in Hong Kong may adversely affect our business, performance and financial condition;

— We face intense competition in the printing industry and we may not be successful in competing against our competitors;

— Digitalisation of information reduces the demand for printed materials which in turn may reduce the printing orders from our customers. As a result, our business and financial performance may be affected;

— Changes in customers' preferences or spending patterns may materially and adversely affect our business;

— Our business is susceptible to fluctuations of purchase costs for raw materials, i.e. paper, printing plates and printing ink and such fluctuations may materially and adversely affect our profitability and results of operations. We do not have long-term contracts with our suppliers and we may encounter interruptions in the supply of raw materials.

# MANAGEMENT DISCUSSION AND ANALYSIS

## COMPARISON OF BUSINESS OBJECTIVES AND STRATEGIES WITH ACTUAL BUSINESS PROGRESS

The Group will endeavor to achieve the following business objectives:

| Business Strategy as stated in the Prospectus | Implementation plans |
|---|---|
| Continue organic growth by solidifying existing customer relationship and developing new relationship | • recruit experienced sales staff<br>• enhance and strengthen marketing activities |
| Acquire a permanent office space for financial printing services for our business expansion | • explore suitable premises |
| Upgrade and acquire new equipment, hardware and software for financial printing services | • acquire new software and hardware<br>• conduct training for staff<br>• upgrade IT server |
| Continue to attract and retain top talent in the industry | • recruit operation staff to support the growth of business |

## USE OF PROCEEDS

With reference to the announcement of the Company dated 10 May 2018, the net proceeds from the issue of new shares of the Company through the placing of 99,000,000 ordinary shares of HK$0.01 each and the public offer of 11,000,000 ordinary shares of HK$0.01 each in the share capital of the Company at the price of HK$0.6 per share, after deduction of the related underwriting fees and commission and estimated expenses paid and payable by the Company in relation thereto, were approximately HK$41.0 million (the "Net Proceeds"). The Net Proceeds will be applied as below, which is consistent with the intended use of proceeds as disclosed in the Prospectus:

— approximately HK$1.5 million, or 3.7%, will be used to continue organic growth by solidifying existing customer relationship and developing new relationship;

— approximately HK$37.0 million, or 90.2%, will be used to acquire a permanent office space for financial printing services for our business expansion; and

— approximately HK$2.5 million, or 6.1%, will be used to upgrade and acquire new equipment, hardware and software for financial printing services.

# MANAGEMENT DISCUSSION AND ANALYSIS

Up to 30 September 2019, the Group had used the Net Proceeds as follows:

| | Original allocation of Net Proceeds | | Utilisation up to 30 September 2019 | Remaining balance of unused Net Proceeds as at 30 September 2019 |
|---|---|---|---|---|
| | *HK$'000* | *% of Net of Proceeds* | *HK$'000* | *HK$'000* |
| | | | (Unaudited) | (Unaudited) |
| Continue organic growth by solidifying existing customer relationship and developing new relationship | 1,500 | 3.7% | 1,102 | 398 |
| Acquire a permanent office space | 37,000 | 90.2% | — | 37,000 |
| Upgrade and acquire new equipment, hardware and software | 2,500 | 6.1% | 406 | 2,094 |
| | 41,000 | 100% | 1,508 | 39,492 |

# MANAGEMENT DISCUSSION AND ANALYSIS

During the six months ended 30 September 2019, the Group purchased certain computer equipment and software for approximately HK$271,000 and incurred selling expenses of approximately HK$1.1 million on building and strengthening customer relationship. As at 30 September 2019, the utilized Net Proceeds were approximately HK$1.5 million and the remaining proceeds as at 30 September 2019 were approximately HK$39.5 million. As of the date of this interim report, there were no changes in the business plans from those disclosed in the Prospectus.

### MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the six months ended 30 September 2019, the Group did not have any material acquisitions nor disposals of subsidiaries and affiliated companies.

### DIVIDENDS

The Board does not recommend the payment of an interim dividend to the Company for the six months ended 30 September 2019.

# OTHER INFORMATION

### CORPORATE GOVERNANCE PRACTICE

The corporate governance practices of the Group are based on the principles and the code provisions in the Corporate Governance Code (the "Code") as set out in Appendix 15 to the GEM Listing Rules.

During the six months ended 30 September 2019, the Company had complied with all the applicable code provisions of the Code, except for code provision A.2.1 as set out below.

# OTHER INFORMATION

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code provision A.2.1 of the Code stipulates that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

The roles of chairman and chief executive officer of our Company are both performed by Mr. So Wing Keung ("Mr. So"). We consider that having Mr. So to act as both our chairman and chief executive officer will provide a strong and consistent leadership to our Group and allow for more effective strategic planning and management of our Group. Further, in view of his experience in the industry, personal profile and role in our Group and historical development of our Group, we consider that it is to the benefit of the business prospects of our Group that Mr. So acts as both our chairman and chief executive officer. We consider that the balance of power and authority of the present arrangement will not be impaired as the Board comprises four other experienced and high-calibre individuals including one other executive Director and three independent non-executive Directors who would be able to offer advice from various perspectives. In addition, for major decisions of our Group, the Company will consult appropriate Board committees and senior management. Considering the present size and the scope of business of the Group, we consider that it is not in the best interest of the Company and its shareholders as a whole to separate the roles of the chairman and the chief executive officer, because the separation would render the decision-making process of the Company less efficient than the current structure. Therefore, our Directors consider that the present arrangement is beneficial to and in the interest of our Company and its shareholders as a whole and the deviation from code provision A.2.1 of the Code is appropriate in such circumstance.

## COMPLIANCE WITH THE REQUIRED STANDARD OF DEALINGS IN SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted the required standard of dealings set out in Rules 5.46 to 5.67 of the GEM Listing Rules (the "Standard of Dealings"), as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries of all Directors, each of the Directors has confirmed that he has complied with the Standard of Dealings during the six months ended 30 September 2019.

## SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Scheme"), the principal terms of which are summarised in the section headed "Appendix IV — Statutory and General Information — D. Share Option Scheme" in the Prospectus.

No share option has been granted or exercised under the Scheme during the six months ended 30 September 2019. No share option was outstanding as at 30 September 2019.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the paragraphs headed "Directors' and chief executives' interest and/or short positions in shares, underlying shares and debentures of the Company or any associated corporation" below and "Share option scheme" above, at no time during the six months ended 30 September 2019 was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

# OTHER INFORMATION

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

None of the Company or any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2019.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 September 2019, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) pursuant to Section 352 of the SFO, to be recorded in the register referred therein; or (c) pursuant to Rule 5.46 of the GEM Listing Rules to be notified to the Company and the Stock Exchange, were as follows:

### (I) Long position in shares or underlying shares of the Company

| | | Number of shares or underlying shares held | | | |
|---|---|---|---|---|---|
| Name of Director | Capacity | Ordinary shares | Share options | Total | Percentage of issued share capital |
| Mr. So Wing Keung ("Mr. So") | Deemed interest, interest in controlled company | 330,000,000 | — | 330,000,000 | 75% |

*Note:*

The shares are registered in the name of Glorytwin Limited ("Glorytwin"), the issued share capital of which is legally and beneficially owned as to 90% by Colorful Bay Limited ("Colorful Bay"). Colorful Bay is legally and beneficially owned as to 100% by Mr. So. Therefore by virtue of the SFO, Mr. So is deemed to have the interest owned by Glorytwin.

**(II) Long position in shares or underlying shares of associated corporations**

| Name of Director | Name of associated corporation | Capacity | Number of share(s) held | Percentage of issued share capital |
|---|---|---|---|---|
| Mr. So Wing Keung | Colorful Bay | Beneficial owner | 1 | 100% |
| Mr. So Wing Keung | Glorytwin | Deemed interest, interest in controlled company | 100 | 100% |

*Note:*

Glorytwin is legally and beneficially owned as to 90% by Colorful Bay. Colorful Bay is legally and beneficially owned as to 100% by Mr. So. Therefore by virtue of the SFO, Mr. So is deemed to have the interest owned by Glorytwin.

Save as disclosed above, as at 30 September 2019, none of the Directors or chief executives of the Company had any interest or short position in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which was required (a) to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO; or (b) pursuant to Section 352 of the SFO, to be recorded in the register referred therein; or (c) pursuant to Rule 5.46 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

# OTHER INFORMATION

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 September 2019, the interests and short positions of the substantial shareholders of the Company (other than the Directors and chief executives of the Company) in the shares and underlying shares of the Company which were required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to Section 336 of the SFO, to be entered in the register to therein, were as follows:

| Name of substantial shareholder | Long/ short position | Capacity | Number of shares held | Percentage of issued share capital |
|---|---|---|---|---|
| Glorytwin | Long position | Beneficial owner | 330,000,000 | 75% |
| Colorful Bay | Long position | Deemed interest, interest in controlled company | 330,000,000 | 75% |

*Note:*

Glorytwin is legally and beneficially owned as to 90% by Colorful Bay. Therefore by virtue of the SFO, Colorful Bay is deemed to have the interest owned by Glorytwin. Colorful Bay is legally and beneficially owned as to 100% by Mr. So. Therefore by virtue of the SFO, Mr. So is deemed to have the interest owned by Colorful Bay.

Save as disclosed above, as at 30 September 2019, the Directors were not aware of any other persons/entities (other than the Directors and chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

# OTHER INFORMATION

## INTERESTS IN COMPETING BUSINESS

For the six months ended 30 September 2019, none of the Directors or any of their respective close associates (as defined under the GEM Listing Rules) were engaged in any business that competes or may compete, directly or indirectly, with the business of the Group or have any other conflicts of interest with the Group nor were they aware of any other conflicts of interest which any such persons had or may have with the Group.

## DEED OF NON-COMPETITION

Mr. So Wing Keung, Mr. Leung Shu Kin, Colorful Bay, Deep Champion Limited and Glorytwin (the "Covenantors"), being the controlling shareholders (as defined under the GEM Listing Rules) of the Company, have entered into a deed of non-competition in favour of the Company (the "Deed of Non-competition"). Each of the Covenantors has undertaken under the Deed of Non-competition that he or it shall not engage in competing business and shall provide to the Company all information necessary for the enforcement of the Deed of Non-competition. Details of the Deed of Non-competition have been disclosed in the section headed "Relationship with Controlling Shareholders – Deed of Non-competition" of the Prospectus.

Each of the Covenantors has confirmed his or its compliance with the terms of the Deed of Non-competition and the independent non-executive Directors were not aware of any non-compliance of the Deed of Non-competition given by the Covenantors during the six months ended 30 September 2019.

# OTHER INFORMATION

## INTERESTS OF COMPLIANCE ADVISER

The Company has been informed by Dakin Capital Limited ("Dakin") that as at 30 September 2019, neither Dakin nor its directors or employees or close associates has, or may have, any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities), which is required to be notified to the Company pursuant to rule 6A.32 of the GEM Listing Rules, except for the compliance adviser agreement entered into between the Company and Dakin dated 31 July 2019.

## CHANGE IN DIRECTOR'S INFORMATION

The change in director's information as required to be disclosed pursuant to Rule 17.50(2) and Rule 17.50A of the GEM Listing Rules, since the publication of the 2018-2019 Annual Report of the Company, is set out below:

### Independent Non-Executive Directors

**Mr. Chan Ka Yeung (陳嘉陽)("Mr. Chan")** was appointed as an independent non-executive Director of our Company on 1 July 2019 and he is primarily responsible for supervising and providing independent judgement to the Board. He is the Chairman of the remuneration committee and a member of the audit committee and the nomination committee.

Mr. Chan started his career in finance, having worked for several banks and financial institutions such as KBC Bank and Bank of America as a trader in various financial instruments. He has over 15 years' of experience and is currently a general manager for a local company overseeing its operations, responsible for its financial planning, business strategy and development.

# OTHER INFORMATION

Mr. Chan holds a master degree of engineering in Operations Research and Information Engineering (financial engineering concentration) from Cornell University in May 2004 and a bachelor degree of science in Economics and Computer Science from University of Wisconsin, Madison in December 2002.

**Mr. Tam Ka Hei Raymond（譚家熙）(“Mr. Tam”)** was appointed as an independent non-executive Director of our Company on 1 July 2019 and he is primarily responsible for supervising and providing independent judgement to the Board. He is the Chairman of the nomination committee and a member of the audit committee and the remuneration committee.

Mr. Tam obtained his bachelor of arts degree in Accounting and Finance with Computing from University of Kent, the United Kingdom in July 2002.

Mr. Tam has over 10 years of experience in corporate finance. He has been appointed as an independent non-executive Director of Til Enviro Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 01790) since 4 October 2018. He is currently a director of the corporate finance department at Yu Ming Investment Management Limited and a licensed holder to carry on Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO. Mr. Tam had previously gained solid corporate finance and accounting experience through his work experience with First Shanghai Capital Limited, a company licensed to carry on Type 6 (advising on corporate finance) regulated activities under the SFO, and Ernst & Young.

# OTHER INFORMATION

## AUDIT COMMITTEE

The Company established the Audit Committee on 19 April 2018 with written terms of reference renewed on 18 February 2019 in compliance with the GEM Listing Rules. The principal duties of the Audit Committee are to review and to supervise the financial reporting process and internal control systems of the Group. As at the date of this report, the Audit Committee comprises three independent non-executive Directors, namely Mr. Kwong Chi Wing (chairman of the Audit Committee), Mr. Chan Ka Yeung and Mr. Tam Ka Hei Raymond.

The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2019 and is of the opinion that the preparation of such statements complied with applicable accounting standards and that adequate disclosures have been made in respect thereof.

By order of the Board
**Elegance Commercial and Financial Printing Group Limited**
**Mr. So Wing Keung**
*Chairman and Chief Executive Officer*

Hong Kong, 31 October 2019

*As at the date of this report, the executive Directors are Mr. SO Wing Keung and Mr. LEUNG Shu Kin, and the independent non-executive Directors are Mr. KWONG Chi Wing, Mr. CHAN Ka Yeung and Mr. TAM Ka Hei Raymond.*

The board of Directors (the "Board") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 September 2019, together with the comparative unaudited figures for the corresponding period in 2018, as follows:

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the six months ended 30 September 2019*

| | | For the three months ended 30 September | | For the six months ended 30 September | |
|---|---|---|---|---|---|
| | | **2019** | 2018 | **2019** | 2018 |
| | | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| | *Note* | **(unaudited)** | (unaudited) | **(unaudited)** | (unaudited) |
| **Revenue** | *3* | **16,132** | 20,508 | **36,566** | 42,371 |
| Cost of services | | **(12,917)** | (13,265) | **(28,267)** | (27,521) |
| Gross profit | | **3,215** | 7,243 | **8,299** | 14,850 |
| Other income | *4* | **219** | 536 | **538** | 557 |
| Selling expenses | | **(1,387)** | (523) | **(2,277)** | (1,020) |
| Administrative and other operating expenses | | **(5,481)** | (5,136) | **(10,781)** | (10,242) |
| Finance costs | *5* | **(176)** | (58) | **(297)** | (114) |
| Listing expenses | | **—** | — | **—** | (5,928) |
| **Loss before taxation** | *6* | **(3,610)** | 2,062 | **(4,518)** | (1,897) |
| Income tax expenses | *7* | **401** | (336) | **366** | (810) |
| **Loss and total comprehensive loss for the period** | | **(3,209)** | 1,726 | **(4,152)** | (2,707) |

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the six months ended 30 September 2019*

| | | For the three months ended 30 September | | For the six months ended 30 September | |
|---|---|---|---|---|---|
| | | **2019** | 2018 | **2019** | 2018 |
| | | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| | *Note* | **(unaudited)** | (unaudited) | **(unaudited)** | (unaudited) |
| **Loss and total comprehensive loss for the period attributable to:** | | | | | |
| Owners of the Company | | **(3,272)** | 1,689 | **(4,223)** | (2,836) |
| Non-controlling interests | | **63** | 37 | **71** | 129 |
| | | **(3,209)** | 1,726 | **(4,152)** | (2,707) |
| | | ***HK cents*** | *HK cents* | ***HK cents*** | *HK cents* |
| **Loss per share attributable to owners of the Company** | | | | | |
| Basic and diluted | *8* | **(0.74)** | **0.38** | **(0.96)** | (0.68) |

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 September 2019*

| | Note | At 30 September 2019 HK$'000 (Unaudited) | At 31 March 2019 HK$'000 (Audited) |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | *10* | **24,949** | 28,390 |
| Right-of-use assets | *11* | **19,592** | — |
| Deferred tax assets | | **162** | 54 |
| | | **44,703** | 28,444 |
| **Current assets** | | | |
| Inventories | *12* | **1,247** | 2,084 |
| Contract assets | | **1,498** | 2,865 |
| Trade and other receivables | *13* | **20,932** | 19,878 |
| Tax recoverable | | **913** | 1,150 |
| Bank balances and cash | | **59,775** | 62,145 |
| | | **84,365** | 88,122 |
| **Current liabilities** | | | |
| Contract liabilities | | **387** | 387 |
| Trade and other payables | *14* | **13,750** | 14,554 |
| Bank borrowings | *15* | **1,681** | 3,123 |
| Lease liabilities | | **9,241** | — |
| Obligations under finance leases | *16* | **542** | 451 |
| Tax payable | | **220** | 155 |
| | | **25,821** | 18,670 |

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 September 2019*

| | Note | At 30 September 2019 HK$'000 (Unaudited) | At 31 March 2019 HK$'000 (Audited) |
|---|---|---|---|
| **Net current assets** | | **58,544** | 69,452 |
| **Total assets less current liabilities** | | **103,247** | 97,896 |
| **Non-current liabilities** | | | |
| Lease liabilities | | **10,515** | — |
| Obligations under finance leases | *16* | **1,319** | 1,592 |
| Deferred tax liabilities | | **3,683** | 4,244 |
| | | **15,517** | 5,836 |
| **NET ASSETS** | | **87,730** | 92,060 |
| **Capital and reserves** | | | |
| Share capital | *17* | **4,400** | 4,400 |
| Reserves | | **82,870** | 87,271 |
| Equity attributable to owners of the Company | | **87,270** | 91,671 |
| Non-controlling interests | | **460** | 389 |
| **TOTAL EQUITY** | | **87,730** | 92,060 |

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the six months ended 30 September 2019*

| | Attributable to owners of the Company | | | | | | |
|---|---|---|---|---|---|---|---|
| | Share capital *HK$'000* | Share premium *HK$'000* *(Note a)* | Capital reserve *HK$'000* *(Note b)* | Acc-umulated profits *HK$'000* | Total *HK$'000* | Non-controlling interests *HK$'000* | Total equity *HK$'000* |
| **Balance at 31 March 2018 and 1 April 2018 (Audited)** | — | — | 17,802 | 24,384 | 42,186 | 372 | 42,558 |
| **Change in equity for the six months ended 30 September 2018:** | | | | | | | |
| (Loss) Profit and total comprehensive (loss) income for the period | — | — | — | (2,836) | (2,836) | 129 | (2,707) |
| Contributions and distributions dividends *(Note c)* | — | — | — | — | — | (150) | (150) |
| Issue of shares by way of share offer *(Note d)* | 1,100 | 64,900 | — | — | 66,000 | — | 66,000 |
| Capitalisation issue *(Note e)* | 3,300 | (3,300) | — | — | — | — | — |
| Transaction costs attributable to issue of new shares | — | (8,778) | — | — | (8,778) | — | (8,778) |
| **Balance at 30 September 2018 (Unaudited)** | 4,400 | 52,822 | 17,802 | 21,548 | 96,572 | 351 | 96,923 |

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the six months ended 30 September 2019*

| | Attributable to owners of the Company | | | | | | |
|---|---|---|---|---|---|---|---|
| | Share capital HK$'000 | Share premium HK$'000 (Note a) | Capital reserve HK$'000 (Note b) | Accumulated profits HK$'000 | Total HK$'000 | Non-controlling interests HK$'000 | Total equity HK$'000 |
| **Balance at 31 March 2019 (Audited)** | 4,400 | 52,821 | 17,802 | 16,648 | 91,671 | 389 | 92,060 |
| Change in accounting policies *(Note 2)* | – | – | – | (178) | (178) | – | (178) |
| **At 1 April 2019** | 4,400 | 52,821 | 17,802 | 16,470 | 91,493 | 389 | 91,882 |
| **Change in equity for the six months ended 30 September 2019:** | | | | | | | |
| (Loss) Profit and total comprehensive (loss) income for the period | – | – | – | (4,223) | (4,223) | 71 | (4,152) |
| **Balance at 30 September 2019 (Unaudited)** | 4,400 | 52,821 | 17,802 | 12,247 | 87,270 | 460 | 87,730 |

*Note a:* Share premium represents the excess of the net proceeds from issuance of the Company's share over its par value. Under the laws of the Cayman Islands and the Company's Articles of Association, it is distributable to the Company's shareholders, provided that immediately following the date on which the dividend is proposed to be distributed, the Company remains able to pay our debts as and when they fall due in the ordinary course of business.

*Note b:* Capital reserve represents the aggregate amount of the issued share capital of the entities now comprising the Group less consideration paid to acquire the relevant interests (if any) in relation to the Reorganisation.

*Note c:* During the six months ended 30 September 2018, the subsidiary of the Group declared dividends of HK$1,000,000 of which HK$150,000 belonged to the non-controlling interest.

*Note d:* On 11 May 2018, the shares of the Company were listed on GEM of the Stock Exchange and 110,000,000 new ordinary shares of HK$0.01 each were issued at HK$0.6 per share by way of share offer. The gross proceeds from the share offer amounted to HK$66,000,000.

*Note e:* Pursuant to the resolutions in writing of the Company's shareholders passed on 19 April 2018, subject to the share premium account of the Company being credited as a result of the offering of the Company's shares, the Directors were authorised to allot and issue a total of 329,999,999 shares of HK$0.01 each to the existing shareholders, credited as fully paid at par by way of capitalisation of the sum of HK$3,299,999.99 standing to the credit of the share premium account of the Company (the "Capitalisation Issue") and the shares to be allotted and issued pursuant to this resolution shall carry the same rights as all shares in issue (save for the right to participate in the Capitalisation Issue). The Capitalisation Issue was fully completed on 11 May 2018.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

*For the six months ended 30 September 2019*

| | For the six months ended 30 September | |
|---|---|---|
| | **2019** | 2018 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) |
| **Net cash generated from (used in) operating activities** | **5,297** | (288) |
| **Net cash used in investing activities** | **(5,967)** | (712) |
| **FINANCING ACTIVITIES** | | |
| Repayment of bank borrowings | **(1,441)** | (2,122) |
| Repayment of obligations under finance leases | **(182)** | (216) |
| Interest paid | **(77)** | (114) |
| Issue new shares | **—** | 57,221 |
| Dividends paid | **—** | (150) |
| **Net cash (used in) generated from financing activities** | **(1,700)** | 54,619 |
| **Net (decrease) increase in cash and cash equivalents** | **(2,370)** | 53,619 |
| **Cash and cash equivalents at beginning of period** | **62,145** | 10,403 |
| **Cash and cash equivalents at end of period, represented by bank balances and cash** | **59,775** | 64,022 |

# NOTES TO THE INTERIM FINANCIAL REPORT

## 1. GENERAL INFORMATION

The Company (formerly known as Elegance Group Limited) ("the Company") was incorporated as an exempted company with limited liability in the Cayman Islands on 24 January 2017. The registered office of the Company is situated at PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman, KY1-1108, Cayman Islands. The Company's principal place of business is situated at 2402, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.

The Company is an investment holding company and together with its subsidiaries are principally engaged in the provision of printing, typesetting and translation services in Hong Kong.

In preparing for the initial listing (the "Listing") of the shares of the Company on GEM of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Group underwent a group reorganisation (the "Reorganisation") to rationalise the group structure. As a result of the Reorganisation, the Company became the holding company of the Group on 30 April 2017. Details of the Reorganisation are more fully explained in the paragraph headed "Reorganisation" of the section headed "History, Reorganisation and Corporate Structure" in the prospectus of the Company dated 30 April 2018 (the "Prospectus").

The shares of the Company were listed on GEM by way of placing and public offer on 11 May 2018 (the "Listing Date").

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The Group's unaudited condensed consolidated results for the six months ended 30 September 2019 have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure requirements of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules").

The Group resulting from the Reorganisation is regarded as a continuing entity under the common control of Mr. So Wing Keung ("Mr. So", or the "Ultimate Controlling Party") prior to and after the Reorganisation, and that control is not transitory. Accordingly, the unaudited interim financial report have been prepared using the principles of merger accounting in accordance with Accounting Guideline 5 "Merger accounting under common control combination" issued by the HKICPA.

**2. BASIS OF PREPARATION AND ACCOUNTING POLICIES** *(Continued)*

The unaudited condensed consolidated statement of comprehensive income and the condensed consolidated statement of changes in equity for the six months ended 30 September 2019 and 2018, respectively have been prepared on the basis as if the current group structure has been in existence throughout the relevant periods, or since the respective dates of incorporation or establishment, where there is a shorter period.

**Application of new and amendments to HKFRSs**

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 April 2019 for the preparation of the Group's condensed consolidated financial statements:

| | |
|---|---|
| HKFRS 16 | Leases |
| HK(IFRIC)-Int 23 | Uncertainty over Income Tax Treatments |
| Amendments to HKFRS 9 | Prepayment Features with Negative Compensation |
| Amendments to HKAS 19 | Plan Amendment, Curtailment or Settlement |
| Amendments to HKAS 28 | Long-term Interests in Associates and Joint Ventures |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2015–2017 Cycle |

Other than as explained below regarding the impact of HKFRS 16 Leases, the new and revised standards are not relevant to the preparation of the Group's condensed consolidated interim financial statements. The nature and impact of HKFRS 16 are described below:

HKFRS 16 replaces HKAS 17 Leases, HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases — Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES *(Continued)*

### Application of new and amendments to HKFRSs *(Continued)*

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 April 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of accumulated losses at 1 April 2019, and the comparative information for 31 March 2019 was not restated and continues to be reported under HKAS 17.

**New definition of a lease**

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 April 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES *(Continued)*

**As a lessee — Leases previously classified as operating leases**

***Nature of the effect of adoption of HKFRS 16***

The Group has lease contracts for offices and factory. As a lessee, the Group previously classified leases as operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

***Impacts on transition***

Lease liabilities at 1 April 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 April 2019.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the condensed consolidated statement of financial position immediately before 1 April 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the condensed consolidated statement of financial position.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 April 2019:

- Applied the short-term exemptions to leases with a lease term that ends within 12 months from the date of initial application;
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease;
- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics;

2. **BASIS OF PREPARATION AND ACCOUNTING POLICIES** *(Continued)*

**As a lessee — Leases previously classified as operating leases** *(Continued)*

***Impacts on transition*** *(Continued)*

- Relied on the entity's assessment of whether leases were onerous by applying HKAS 37 immediately before 1 April 2019 as an alternative to performing an impairment review; and

- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application.

The impacts arising from the adoption of HKFRS 16 as at 1 April 2019 are as follows:

| | Increase/ (decrease) *HK$'000* (Unaudited) |
|---|---|
| **Assets** | |
| Right-to-use assets | 7,025 |
| **Liabilities** | |
| Lease liabilities | 7,203 |
| **Reserves** | |
| Accumulated profits | (178) |

## 3. REVENUE AND SEGMENT INFORMATION

### Revenue

| | For the three months ended 30 September | | For the six months ended 30 September | |
|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (unaudited) | **(unaudited)** | (unaudited) |
| Commercial printing services | **9,839** | 11,360 | **21,914** | 24,064 |
| Financial printing services | **6,053** | 8,964 | **13,808** | 17,950 |
| Other services *(Note)* | **240** | 184 | **844** | 357 |
| | **16,132** | 20,508 | **36,566** | 42,371 |

*Note:* Other services included ad hoc design and artworks, and/or translation services, etc.

### Segment information

The Directors have determined that the Group has only one operating and reportable segment throughout the reporting periods, as the Group manages its business as a whole as the provision of integrated printing services in Hong Kong and the executive Directors, being the chief operating decision-makers of the Group, regularly review the internal financial reports on the same basis for the purposes of allocating resources and assessing performance of the Group. Segment information is not presented accordingly.

The Company is an investment holding company and the principal place of the Group's operation is in Hong Kong. All of the Group's revenue from external customers during each of the reporting periods is derived from Hong Kong and all of the Group's assets and liabilities are located in Hong Kong.

## 4. OTHER INCOME

| | For the three months ended 30 September | | For the six months ended 30 September | |
|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (unaudited) | **(unaudited)** | (unaudited) |
| Interest income | **188** | 202 | **336** | 257 |
| Sundry income | **31** | 334 | **202** | 300 |
| | **219** | 536 | **538** | 557 |

## 5. FINANCE COSTS

| | For the three months ended 30 September | | For the six months ended 30 September | |
|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (unaudited) | **(unaudited)** | (unaudited) |
| Interest on bank borrowings | **21** | 47 | **50** | 95 |
| Finance charges on obligations under finance leases | **13** | 11 | **27** | 19 |
| Interest expense on lease liabilities | **141** | — | **219** | — |
| | **175** | 58 | **296** | 114 |

## 6. LOSS BEFORE TAXATION

This is stated after charging (crediting):

| | For the three months ended 30 September | | For the six months ended 30 September | |
|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (unaudited) | **(unaudited)** | (unaudited) |
| Staff costs (including directors' emoluments) | | | | |
| — Salaries and other benefits | **8,844** | 7,711 | **18,024** | 15,035 |
| — Contributions to defined contribution plans | **377** | 379 | **764** | 741 |
| | **9,221** | 8,090 | **18,788** | 15,776 |
| Other items | | | | |
| Auditor's remuneration | **230** | 199 | **452** | 399 |
| Cost of inventories *(Note)* | **12,917** | 13,265 | **28,267** | 27,521 |
| Depreciation of property, plant and equipment | **1,741** | 2,136 | **3,702** | 4,233 |
| Depreciation of right-of-use assets | **3,078** | — | **6,035** | — |
| Exchange (gain) loss, net | **3** | 4 | **4** | 14 |
| (Loss) gain on disposal of property, plant and equipment, net | **(1)** | 1 | **165** | 3 |
| Operating lease charges for premises | **—** | 2,851 | **—** | 5,702 |

*Note:* During the six months ended 30 September 2019, cost of inventories included approximately HK$18.3 million (six months ended 30 September 2018: approximately HK$17.8 million) relating to the aggregate amount of certain staff costs, depreciation and operating lease charges, which were included in the respective amounts as disclosed above.

## 7. INCOME TAX EXPENSES

| | For the three months ended 30 September | | For the six months ended 30 September | |
|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (unaudited) | **(unaudited)** | (unaudited) |
| Current tax — Hong Kong Profits Tax: | | | | |
| Provision for the period | **(15)** | 566 | **302** | 1,346 |
| Deferred taxation | **(386)** | (230) | **(668)** | (536) |
| | **(401)** | 336 | **(366)** | 810 |

The Group's entities established in the Cayman Islands and the British Virgin Islands (the "BVI") are exempted from income tax.

Hong Kong Profits Tax has been provided at the rate of 16.5% on the Group's estimated assessable profits arising from Hong Kong for the six months ended 30 September 2019 and 2018.

## 8. LOSS PER SHARE

The calculation of the basic loss per share is based on the following data:

| | For the three months ended 30 September | | For the six months ended 30 September | |
|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (unaudited) | **(unaudited)** | (unaudited) |
| *Loss:* | | | | |
| Loss for the purpose of calculation basic loss per share | **(3,272)** | 1,689 | **(4,223)** | (2,836) |
| *Number of shares:* | | | | |
| Weighted average number of ordinary shares for the purpose of calculating basic loss per share | **440,000** | 440,000 | **440,000** | 415,956 |

The weighted average number of ordinary shares for the purpose of calculating basic loss per share was on the basis as if the reorganisation and capitalisation issue had been effective on 1 April 2016.

Diluted loss per share are same as the basic loss per share as there were no potential dilutive ordinary shares outstanding during the six months ended 30 September 2019 and 2018.

## 9. DIVIDENDS

The Board does not recommend the payment of an interim dividend to the Company for the six months ended 30 September 2019 (2018: Nil).

**10. PROPERTY, PLANT AND EQUIPMENT**

During the six months ended 30 September 2019, the Group has acquired property, plant and equipment of HK$0.3 million (31 March 2019, approximately HK$0.7 million). The items of property, plant and equipment with carrying amount of approximately HK$15,000 (31 March 2019: approximately HK$4,000) were written off or disposed during the six months ended 30 September 2019.

At 30 September 2019, the carrying amount of plant and machinery includes an amount of approximately HK$1.6 million in respect of assets held under finance base (31 March 2019: approximately HK$1.8 million).

**11. RIGHT-OF-USE ASSETS**

Upon adoption of HKFRS 16, on 1 April 2019, the Group recognized right-of-use assets of approximately HK$7.0 million regarding lease on premises. During the six months ended 30 September 2019, the Group entered into a new lease on premises and recognized right-of-use assets of approximately HK$18.6 million. As at 30 September 2019, the carrying amounts of right-of-use assets was HK$19.6 million in respect of the lease on premises.

**12. INVENTORIES**

| | **At 30 September 2019** ***HK$'000*** **(Unaudited)** | At 31 March 2019 *HK$'000* (Audited) |
|---|---|---|
| Raw materials | **1,154** | 1,957 |
| Work in progress | **93** | 127 |
| | **1,247** | 2,084 |

## 13. TRADE AND OTHER RECEIVABLES

| | At 30 September 2019 HK$'000 (Unaudited) | At 31 March 2019 HK$'000 (Audited) |
|---|---|---|
| **Trade receivables** | **12,630** | 13,047 |
| **Other receivables** | | |
| Prepayments | **1,011** | 352 |
| Deposits and other receivables | **7,291** | 6,479 |
| | **8,302** | 6,831 |
| | **20,932** | 19,878 |

The credit terms granted to customers are varied and are generally the result of negotiations between individual customers and the Group. The average credit period granted was ranging from 7 to 60 days. At the end of the reporting period, the ageing analysis of trade receivables based on invoice date is as follows:

| | At 30 September 2019 HK$'000 (Unaudited) | At 31 March 2019 HK$'000 (Audited) |
|---|---|---|
| Less than 30 days | **5,437** | 9,006 |
| 31 to 60 days | **3,358** | 1,298 |
| 61 to 90 days | **2,189** | 2,063 |
| Over 90 days | **1,646** | 680 |
| | **12,630** | 13,047 |

## 13. TRADE AND OTHER RECEIVABLES *(Continued)*

At the end of the reporting period, the ageing analysis of trade receivables which are past due but not impaired is as follows:

| | **At 30 September 2019 *HK$'000* (Unaudited)** | At 31 March 2019 *HK$'000* (Audited) |
|---|---|---|
| Neither past due nor impaired | **5,771** | 9,861 |
| Past due: | | |
| Less than 30 days | **3,049** | 1,593 |
| 31 to 60 days | **2,056** | 907 |
| 61 to 90 days | **232** | 359 |
| Over 90 days | **1,522** | 327 |
| | **6,859** | 3,186 |
| | **12,630** | 13,047 |

The trade receivables that are past due but not impaired related to a number of independent customers that have a good track record with the Group. The Group has not recognised impairment on these balances as there has not been a significant change in credit quality and the directors believe that the amounts are recoverable. The Group does not hold any collateral over these balances.

Receivables that are neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

## 14. TRADE AND OTHER PAYABLES

| | At 30 September 2019 *HK$'000* (Unaudited) | At 31 March 2019 *HK$'000* (Audited) |
|---|---|---|
| **Trade payables** | **2,051** | 2,328 |
| **Other payables** | | |
| Accruals and other payables | **4,965** | 4,999 |
| Receipts in advance | **6,734** | 7,227 |
| | **11,699** | 12,226 |
| | **13,750** | 14,554 |

The trade payables are non-interest bearing and the Group is normally granted with credit terms ranging from 30 to 90 days.

The ageing analysis of trade payables, at the end of the reporting period based on the invoice date, is as follows:

| | At 30 September 2019 *HK$'000* (Unaudited) | At 31 March 2019 *HK$'000* (Audited) |
|---|---|---|
| Less than 30 days | **731** | 1,613 |
| 31 to 60 days | **1,320** | 424 |
| 61 to 90 days | **—** | 291 |
| | **2,051** | 2,328 |

## 15. BANK BORROWINGS

At the end of the reporting period, the details of the bank borrowings of the Group are as follows:

| | **At 30 September 2019 HK$'000 (Unaudited)** | At 31 March 2019 HK$'000 (Audited) |
|---|---|---|
| Bank borrowings — secured | **1,681** | 3,123 |
| Carrying amounts of bank borrowings that are repayable *(Note)* | | |
| Within one year | **1,681** | 2,882 |
| More than one year, but not exceeding two years | **—** | 241 |
| Amounts shown under current liabilities | **1,681** | 3,123 |

*Note:* All bank borrowings contain a repayment on demand clause and are shown under current liabilities. The amounts due are presented based on scheduled repayment dates set out in the loan agreements.

As at 30 September 2019, the bank borrowings bore a floating interest rate at 1 month's Hong Kong Inter-bank Offered Rate plus 2.25% per annum.

The bank borrowings are drawn under banking facilities. The banking facilities are secured and guaranteed by corporate guarantees given by the Company. The guarantees provided by Mr. So Wing Keung (the "Ultimate Controlling Party"), a subsidiary and a related company were released and replaced by guarantees given by the Company upon the initial Listing on 11 May 2018.

All of the banking facilities are subject to the fulfilment of covenants relating to a subsidiary's ratios based on its statement of financial position, as are commonly found in lending arrangements with financial institutions. If the subsidiary were to breach the covenants, the drawn down facilities would become repayable on demand. In addition, the subsidiary's loan agreements contain clauses which give the lender the right at its sole discretion to demand immediate repayment at any time irrespective of whether the subsidiary has complied with the covenants and met the scheduled repayment obligations.

**15. BANK BORROWINGS** *(Continued)*

The Group regularly monitors its compliance with these covenants and has made payments according to the schedule of the loans and does not consider it probable that the bank will exercise its discretion to demand repayment so long as the Group continues to meet these requirements. As at 30 September 2019 and 31 March 2019, none of the covenants relating to drawn down facilities had been breached.

**16. OBLIGATIONS UNDER FINANCE LEASES**

At the end of the reporting period, the Group had obligations under finance leases repayable as follows:

| | Minimum lease payments | | Present value of minimum lease payments | |
|---|---|---|---|---|
| | **At 30 September 2019** | At 31 March 2019 | **At 30 September 2019** | At 31 March 2019 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Amount payable: | | | | |
| Within one year | **586** | 502 | **542** | 451 |
| In the second to fifth years inclusive | **1,368** | 1,661 | **1,319** | 1,592 |
| | **1,954** | 2,163 | **1,861** | 2,043 |
| Future finance charges | **(93)** | (120) | **—** | — |
| Present value of lease obligations | **1,861** | 2,043 | **1,861** | 2,043 |
| Amount due for settlement within 12 months | | | **542** | 451 |
| Amount due for settlement after 12 months | | | **1,319** | 1,592 |
| | | | **1,861** | 2,043 |

The Group leases a range of machineries under finance leases with average lease term of five years and are secured by the lessor's charge over the leased assets.

## 17. SHARE CAPITAL

| | | **At 30 September 2019** | | At 31 March 2019 | |
|---|---|---|---|---|---|
| | *Note* | **No. of shares '000** | ***HK$'000*** | No. of shares *'000* | *HK$'000* |
| **Authorised:** | | | | | |
| At 1 October 2018, 31 March 2019 and 30 September 2019 | | **100,000,000** | **1,000,000** | 100,000,000 | 1,000,000 |
| **Issued and fully paid:** | | | | | |
| At 1 October 2018, 31 March 2019 and 30 September 2019 | | **440,000** | **4,400** | 440,000 | 4,400 |

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 24 January 2017. Upon its incorporation, the authorised share capital of HK$380,000 was divided into 38,000,000 ordinary shares at HK$0.01 each and 1 ordinary share of HK$0.01 was issued to and paid up by the Ultimate Controlling Party.

Pursuant to the resolution of the shareholders passed on 19 April 2018, inter-alia, the authorised share capital of the Company was increased from HK$380,000 to HK$1,000,000,000 by the creation of additional 99,962,000,000 shares of HK$0.01 each and the Capitalisation Issue (as defined below) was conditionally approved.

Pursuant to the resolutions in writing of the Company's shareholders passed on 19 April 2018, subject to the share premium account of the Company being credited as a result of the offering of the Company's shares, the directors of the Company were authorised to allot and issue a total of 329,999,999 shares of HK$0.01 each to the existing shareholders, credited as fully paid at par by way of capitalisation of the sum of HK$3,299,999.99 standing to the credit of the share premium account of the Company (the "Capitalisation Issue") and the shares to be allotted and issued pursuant to this resolution shall carry the same rights as all shares in issue (save for the right to participate in the Capitalisation Issue). The Capitalisation Issue was fully completed on 11 May 2018.

On 11 May 2018, the shares of the Company were listed on GEM of the Stock Exchange and 110,000,000 new ordinary shares of HK$0.01 each were issued at HK$0.6 per share by way of share offer. The gross proceeds from the share offer amounted to HK$66,000,000.

## 18. RETIREMENT BENEFITS SCHEME

### Defined contribution plans

The Group joins an Occupational Retirement Schemes Ordinance scheme (the "ORSO Scheme") for their qualifying employees in Hong Kong. The ORSO Scheme is registered with the Mandatory Provident Fund Schemes Authority under the Occupational Retirement Schemes Ordinance. The assets of the ORSO Scheme are held separately from those of the Group in funds under the control of independent trustees. Under the rules of the ORSO Scheme, the Group and its employees are each required to make contribution to the ORSO Scheme at such rates specified in the rules of the ORSO Scheme. The obligation of the Group with respect of the ORSO Scheme is to make the required contribution under the ORSO Scheme. The retirement benefits costs charged to the consolidated statement of comprehensive income represent contributions payable to the ORSO Scheme by the Group.

## 19. RELATED PARTY TRANSACTIONS

**(a)** In addition to the transactions and balances disclosed elsewhere in the notes to the consolidated financial statements, the Group had the following related party transactions during the six months ended 30 September 2019 and 2018:

| Name of related company | Nature of transactions | For the six months ended 30 September | |
|---|---|---|---|
| | | **2019** | 2018 |
| | | ***HK$'000*** | *HK$'000* |
| | | **(Unaudited)** | (Unaudited) |
| Global Window *(Note (i))* | Rental expenses *(Note (ii))* | **—** | 3,172 |
| Global Window *(Note (i))* | Depreciation *(Note (iii))* | **1,520** | — |
| Global Window *(Note (i))* | Finance costs *(Note (iii))* | **34** | — |

*Notes:*

(i) This related company is controlled by the Ultimate Controlling Party during the six months ended 30 September 2018 and from 1 April 2019 to 28 June 2019. Global Window was no longer a related company of the Group upon the Ultimate Controlling Party sold all of the shares held of Global Window to an independent third party on 28 June 2019.

(ii) This related party transaction constitutes continuing connected transaction as defined in Chapter 20 of the GEM Listing Rules. Relevant disclosures about this transaction have been disclosed in the Report of the Directors of the annual report.

(iii) This represents the costs recognized upon the adoption of HKFRS 16 "Leases" in respect of its lease contracts entered into with Global Window.

## 19. RELATED PARTY TRANSACTIONS *(Continued)*

**(b)** Remuneration for key management personnel (including directors) of the Group:

| | For the six months ended 30 September | |
|---|---|---|
| | **2019** | 2018 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) |
| Salaries, allowances and benefits in kind | **2,560** | 1,948 |
| Contributions to defined contribution retirement scheme | **80** | 80 |
| | **2,640** | 2,028 |

## 20. FAIR VALUE MEASUREMENTS

All financial assets and financial liabilities are carried at amounts not materially different from their fair values as at 30 September 2019 and 31 March 2019.

## 21. EVENTS AFTER THE REPORTING PERIOD

As from 30 September 2019 to the date of this report, the Board is not aware of any events that have occurred which require disclosure.

## 22. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 31 October 2019.